

Message Text

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ACTION COME-00

INFO OCT-01 EA-07 ISO-00 EB-07 ITC-01 FEA-01 ERDA-05
AID-05 CEA-01 CIAE-00 EPG-02 DODE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/098 W

-----037367 220615Z /23

R 220450Z JUN 77

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 1908
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 8204

E.O. 1152: GDS

TAGS: ENRG, ID

SUBJECT: MOBIL-PERTAMINA CONTRACT AGREEMENT

1. MOBIL OIL AND PERTAMINA HAVE REACHED AGREEMENT ON MOBIL'S PRODUCTION-SHARING CONTRACT ON NORTH SUMATRAN "B" BLOCK. CONTRACT WAS SIGNED JUNE 17 IN JAKARTA. DISCUSSIONS ON THIS MATTER HAD BEEN GOING ON FOR NEARLY ONE YEAR.

2. IN EFFECT, MOBIL'S PRODUCTION-SHARING CONTRACT IS REVISED TO INCLUDE NEW 85/15 EQUITY SPLIT AND COST RECOVERY TERMS; COMPANY WILL ALSO RECEIVE PACKAGE OF PERTAMINA INCENTIVES. NEW TERMS AND INCENTIVES WILL APPLY ONLY TO CONDENSATE PRODUCTION FROM ARUN FIELD. GAS FROM ARUN, WHICH WILL BE PROCESSED INTO LNG, REMAINS SUBJECT TO FORMER 65/35 TERMS PER PREVIOUS AGREEMENT BETWEEN MOBIL AND PERTAMINA.

3. AGREEMENT ON CONTRACT WAS SECURED DURING RECENT VISIT OF MOBIL'S SENIOR VP ALEX MASSAD WHO MET WITH HARYONO AND MINISTER WIDJOJO. MOBIL HAD BEEN SEEKING SOME FORM OF LETTER OF GUARANTEE FROM PERTAMINA/GOI REGARDING FUTURE CHANGES IN CONTRACTS
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OR OPERATING CONDITIONS. WIDJOJO AND OTHERS MADE IT CLEAR THAT, WHILE GOI COULD NOT ISSUE SUCH A LETTER, GOI WOULD COOPERATE WITH MOBIL IN ENSURING THAT MUTUAL OBJECTIVES WOULD BE MET. MOBIL ALSO WORKED OUT ARRANGEMENT WHEREBY PERTAMINA WILL ALLOW COMPANY TO EXPENSE INTERCOMPANY INTEREST PAYMENTS. MOBIL ASKED THAT THIS INFORMATION BE HELD TIGHTLY. ALTHOUGH PERTAMINA HAS

INDICATED WILLINGNESS TO DO THIS FOR OTHERS, MOBIL IS EVIDENTLY FIRST COMPANY TO HAVE EXPENSING OF INTEREST FORMALLY INCORPORATED INTO REVISED CONTRACT.)

4. MAIN BREAKTHROUGH IN MOBIL-PERTAMINA NEGOTIATIONS OCCURRED IN APRIL DURING VISIT OF MINISTER WIDJOJO TO NEW YORK. WIDJOJO MET WITH MOBIL CHAIRMAN RAWLEIGH WARNER AND OTHER EXECUTIVES; AS RESULT OF THESE SESSIONS, WIDJOJO PERSONALLY INSTRUCTED PERTAMINA'S HARYONO TO FINALIZE MOBIL'S CONTRACT.

5. COMMENT: MOBIL BECOMES ONE OF FIRST U.S. COMPANIES TO SIGN REVISED PRODUCTION-SHARING CONTRACT WITH PERTAMINA ON NEW TERMS. OTHER AMERICAN COMPANIES, PARTICULARLY INDEPENDENTS, HAVE BEEN RELUCTANT DO SO PENDING RESOLUTION OF IRS MATTER. MOBIL, WHICH PRESUMABLY ENJOYS GREATER SURPLUS OF TAX CREDITS WORLDWIDE, WANTED TO RESOLVE ITS CONTRACT BEFORE START-UP OF CONDENSATE PRODUCTION. FIRST SHIPMENTS OF CONDENSATE MAY BEGIN IN AUGUST. END COMMENT. RIVES

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Control Number: n/a
Copy: SINGLE
Sent Date: 22-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Subject: MOBIL-PERTAMINA CONTRACT AGREEMENT
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